

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 14, 2015

Proposed Resolution W-5055
Agenda ID #14138

TO: All Interested Persons

Enclosed is Proposed Resolution W-5055 of the Division of Water and Audits approving San Gabriel Valley Water Company's Rate Base Offset Revenue Increase to produce an increase in Gross Annual Revenue of \$297,349 Or 0.44% to its Los Angeles County Division. The Commission may act on this resolution or it may postpone action until later.

When the Commission acts on a proposed resolution, the Commission may adopt all or part of the proposed resolution, as written, or amend or modify the proposed resolution; or the Commission may set the proposed resolution aside and prepare a different resolution. Only when the Commission acts does the resolution become binding.

Interested persons may submit comments on Proposed Resolution W-5055 via email to Water.Division@cpuc.ca.gov or via mail to the following address below:

California Public Utilities Commission
Division of Water and Audits, Third Floor
505 Van Ness Avenue
San Francisco, CA 94102

Interested persons must serve a written or electronic copy of their comments on the utility on the same date that the comments are submitted to the Division of Water and Audits. Interested persons may submit comments on or before August 3, 2015.

Comments should focus on factual, legal, or technical errors or policy issues in the proposed resolution.

Persons interested in receiving comments submitted to the Division of Water and Audits may contact the Division of Water and Audits at Water.Division@cpuc.ca.gov or (415) 703-1133.

/s/ RAMI S. KAHLON
Rami S. Kahlon, Director
Division of Water and Audits

Enclosures: Proposed Resolution W-5055
Certificate of Service
Service List

PROPOSED RESOLUTION

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AGENDA ID #14138

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5055
August 13, 2015

RESOLUTION

(RES. W- 5055) SAN GABRIEL VALLEY WATER COMPANY, ORDER
AUTHORIZING A RATE BASE OFFSET REVENUE INCREASE,
PRODUCING AN INCREASE IN GROSS ANNUAL REVENUE OF
\$297,349 or 0.44% TO ITS LOS ANGELES COUNTY (LA) DIVISION.

By Advice Letter No. 456-W filed on February 6, 2015.

SUMMARY

By Advice Letter 456 filed on February 6, 2015, San Gabriel Valley Water Company (San Gabriel) seeks a rate base offset of \$1,855,799 for the construction of a reservoir and site improvements which would cause an increase in annual revenue of \$295,856 or 0.43% in the LA Division.

This resolution grants the requested rate base offset at the Division of Water and Audit's (DWA) calculated annual revenue increase over current revenue of \$297,349 or 0.44%. This increase will not result in a rate of return greater than the last authorized for San Gabriel in its LA Division.

BACKGROUND

San Gabriel requests authority under General Order (GO) 96-B, Water Industry Rules 7.3.3 (8), and Section 454 of the Public Utilities Code to increase its rates by \$295,856 or 0.43% for a rate base offset of \$1,855,799 associated with construction of a new reservoir and site improvements at Plant G6 in the City of Monterey Park.

In approving a settlement between San Gabriel and the Office of Ratepayer Advocates in San Gabriel's last General Rate Case, Decision (D.) 11-11-018 authorized the utility to recover costs for Plant G6 at an estimated total of \$1,630,000. The estimated total cost, included as Item II.G.24 in the adopted Settlement Agreement (Appendix E to

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D.11-11-018), consisted of acquiring land for the new reservoir (\$500,000), construction of the new reservoir (\$590,000), construction of a wall and fence (\$250,000), paving and drainage (\$75,000), permitting and related work (\$55,000), and recoating work for the existing reservoir (\$160,000).

By Advice Letter 442 filed on June 17, 2014 and pursuant to D.11-11-018, San Gabriel submitted the Tier 2 advice letter demonstrating a total cost of \$1,855,799 for Plant G6. However, San Gabriel only requested the total estimated cost cap of \$1,630,000 be added to rate base, which would increase the annual revenue by \$263,537 or 0.4%. When reviewed by DWA, it was discovered that the recoating of the existing reservoir was not performed. In light of this, DWA rejected Advice Letter 442 based on the existing reservoir not being used and useful and Plant G6 being incomplete. DWA's June 24, 2014 disposition letter allowed San Gabriel to file a new Tier 2 AL once the entire project had been completed and is used and useful. San Gabriel chose to file a Tier 3 advice letter in order to allow the Commission to review the new project scope and additional project costs.

NOTICE AND PROTEST

Advice Letter 456 was served in accordance with Water Industry Rule 4.1 of GO 96-B. A notice of the proposed rate increase was mailed to customers on February 6, 2015.

On February 26, 2015, DWA received a protest from the Office of Ratepayer Advocates (ORA). ORA protested on the grounds that San Gabriel's request to reflect in rates \$1,855,799 was in violation of statute or Commission order. Citing Section 4.3.2 of D.11-11-018, ORA stated that the construction cost had a cap of \$1,630,000. ORA recommends that San Gabriel be allowed to recover only \$1,470,000, which is the cap amount less the estimated cost of \$160,000 for recoating the existing reservoir.

A response by San Gabriel to ORA's protest was received on March 6, 2015. San Gabriel responded by stating that the approved settlement agreement between San Gabriel and ORA in D.11-11-018 did not specify a cap for Plant G6. That the agreement had an estimated cost of \$1,630,000 but did not limit San Gabriel to recover the actual costs of Plant G6. Therefore, San Gabriel believes that ORA's protest should be disregarded and the \$1,855,799 be allowed into rates.

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DISCUSSION

DWA reviewed the reasonableness of the project expenditures based on the new scope of work involved as well as San Gabriel's procurement process and determined the expenditures to be reasonable. Bid proposals were examined by DWA to verify that the lowest bid was chosen for contracting work and invoices were reviewed to support the accuracy of Plant G6's costs. DWA confirmed that the requested cost recovery associated with the project did not exceed the authorized rate of return and that the project has been completed and is currently used and useful.

Plant G6 was originally divided into six components: land for the new reservoir, construction of the new reservoir, construction of wall and fence, paving and drainage, permitting and related work, and recoating of existing reservoir. After inspections and engineering investigations by two separate engineering firms, it was discovered that the existing reservoir had numerous safety and structural deficiencies, requiring major modifications and replacements. A seismic evaluation by one of the firms also found the reservoir to be unanchored, signifying a high risk of damage in an event of an earthquake. Estimated costs to repair and renovate the existing tank would be similar to the costs of building a replacement tank. As a result, San Gabriel abandoned plans to recoat the existing tank, which reduced Plant G6 to five components.

Further altering Plant G6 were several additional costs not previously anticipated in the estimated budget approved in D. 11-11-018. The cost of purchasing the existing residential property for the construction of the new reservoir was over the estimated budget. DWA finds that San Gabriel paid fair market value based on sales of similar properties in the area at the time. The demolition of structure on the acquired property and its cost were not accounted for in the costs approved in D. 11-11-018. The cost of permitting and related work in the City of Monterey Park increased from those estimated in the Settlement Agreement approved in D.11-11-018.

The additional costs that significantly exceeded the estimated budget were from the discoveries that the new reservoir would require deep foundation piles and re-routing of new piping. The original design for the foundation of the reservoir was to construct a typical mat foundation that consisted of a concrete ring around the perimeter of the reservoir. However after an investigation and stability analysis by one of the engineering firms, the foundation design changed to cast-in-place concrete piles to meet building codes. This was due to the weight and location of the reservoir next to the top of a slope as well as the condition of the bedrock. As a result, the concrete piles cost \$181,900 more than the concrete ring foundation.

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The original design of the pipe installation to connect the reservoir to the distribution system was estimated and based on available data in 2010. It was subsequently determined that to prevent pipes from obstructing each other in a confined area, additional work was needed to relocate the piping from the existing reservoir and the new reservoir. The total cost of the pipe installation was \$120,481 higher than originally estimated.

The estimated cost to construct the new reservoir was \$590,000. However, after substantial changes to the foundation and piping discussed above, the actual cost was \$977,264. DWA reviewed all invoices related to the construction of the new reservoir and verified the actual cost to be reasonable and accurate. The changes also affected the paving and drainage component of the project which resulted in an increase in these estimated cost. For the wall and fence component, actual costs were less than the estimated cost as the concrete piles foundation reduced the size of the retaining wall.

When Plant G6 was completed and placed into service on May 29, 2014, the actual cost of the project rose to \$1,855,799. DWA agrees with ORA in the fact that the original estimated cost of Plant G6 had a cap of \$1,630,000. However, the scope and project changed considerably throughout its process. The project no longer included the recoating of the existing reservoir as the reservoir itself needs replacement. The project did not anticipate the demolition of structures on the acquired land. More importantly, the project did not include significant additional costs required to properly complete the foundation and piping of the new reservoir. Therefore, we have reviewed the reasonableness of the revised project scope and costs in this Resolution.

Based on this review, DWA finds the actual cost to be just and reasonable and recommends approval of the requested rate base offset.

With the authorized return on rate base of 8.49%, the resulting revenue requirement increase calculated by San Gabriel is \$295,856 or 0.43% of the adopted revenue. In reviewing the calculations, DWA determined that the wrong adopted depreciation accrual rate for pumping structures was used. Instead, San Gabriel used the depreciation rate for treatment structures. After this correction is made, the revenue requirement increases to the recommended \$297,349 or 0.44%.

Accordingly, the recommended rates shown in Appendix A were increased by 0.44%. The monthly bill for a 5/8-inch metered customer using 14 Ccf will increase from \$58.69 to \$58.94, a \$0.25 difference. San Gabriel shall file a supplement to Advice Letter 456 incorporating the corrected rate schedules shown in Appendix A.

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COMMENTS

Public Utilities Code Section 311(g)(1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. This proposed resolution was mailed to for comment on July 14, 2015.

FINDINGS AND CONCLUSIONS

1. By Advice Letter 456 filed on February 6, 2015, San Gabriel Valley Water Company seeks a rate base offset of \$1,855,799 associated with the construction of a new reservoir and an annual revenue requirement increase of \$295,856 or 0.43% in its Los Angeles County Division.
2. The project scope changed and additional costs were required, increasing the total actual cost above the original total estimated cost.
3. The recoating of the existing reservoir was abandoned due to costs being comparable to replacing the reservoir.
4. A stronger foundation using concrete piles for the new reservoir was required to meet building codes.
5. Altering the pipe routes of the existing and new reservoir was required to prevent interference.
6. A correction in the depreciation accrual rate revised the revenue requirement increase to \$297,349 or 0.44%
7. The new reservoir is currently used and useful.
8. Based on the Division of Water and Audits investigation, the rate base of \$1,855,799 and the resulting revenue requirement increase of \$297,349 or 0.44% is found to be just and reasonable.
9. The rates recommended by the Division of Water and Audits (Appendix A) are reasonable and should be adopted.

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THEREFORE, IT IS ORDERED THAT:

1. San Gabriel Valley Water Company is authorized to file a supplement to Advice Letter 456 incorporating the revised rate schedules attached to this resolution as Appendix A. The effective date of the revised schedules shall be five days after the date of filing.

This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 13, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

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APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-1 Los Angeles County Tariff Area GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service, except for those Residential customers required to be served under Schedule LA-1C.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Quantity Rate:

For all water delivered, per 100 cu. ft.	\$ 2.7024	(I)
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Service Charge:	Per Meter <u>Per Month</u>
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For 5/8 x 3/4-inch meter	\$ 21.11	(I)
For 3/4-inch meter	31.66	
For 1-inch meter	52.75	
For 1-1/2-inch meter	105.52	
For 2-inch meter	168.83	
For 3-inch meter	316.54	
For 4-inch meter	527.56	
For 6-inch meter	1,052.00	
For 8-inch meter	1,680.00	
For 10-inch meter	2,429.00	
For 12-inch meter	3,480.00	
For 14-inch meter	4,640.00	(I)

(continued)

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APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-1 Los Angeles County Tariff Area GENERAL METERED SERVICE (continued)

RATES (continued)

Per Battery
Per Month

For two 2-inch meters	\$ 336.00	(I)
For three 2-inch meters	507.00	
For four 2-inch meters	676.00	
For two 3-inch meters	634.00	
For three 3-inch meters	950.00	
For two 4-inch meters	1,055.00	
For three 4-inch meters	1,583.00	
For one 8-inch meter, one 2-inch meter	1,855.00	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcredit of \$0.0406 per Ccf is to be applied to the quantity rates for a 12-month period beginning on February 26, 2014 to amortize the overcollection in the Cost of Capital Interim Rate Memorandum Account (CCIRMA). (D)
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(D)
3. A surcharge of \$0.1308 per Ccf is to be applied to the quantity rates beginning on the effective date of Advice Letter 447 and ending on August 20, 2015 to amortize the undercollection in the California Alternative Rates for Water (CARW) Memorandum Account.

(continued)

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APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-1C Los Angeles County Tariff Area GENERAL METERED SERVICE – CONSERVATION RATES

APPLICABILITY

Applicable to all metered Residential customers, excluding apartments, trailer parks, and any other facility in which Residential customers receive service through a master meter.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Quantity Rate:

For the first 13 Ccf of water used, per 100 cu. ft.	\$ 2.5418	(I)
For all Ccf greater than 13 Ccf, per 100 cu. ft.	\$ 2.8987	(I)

Service Charge:

	Per Meter	
	Per Month	

For 5/8 x 3/4-inch meter	\$ 21.11	(I)
For 3/4-inch meter	31.66	
For 1-inch meter	52.75	
For 1-1/2-inch meter	105.52	
For 2-inch meter	168.83	
For 3-inch meter	316.54	(I)

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcredit of \$0.0406 per Ccf is to be applied to the quantity rates for a 12-month period beginning on February 26, 2014 to amortize the overcollection in the Cost of Capital Interim Rate Memorandum Account (CCIRMA). (D)
|
(D)
3. A surcharge of \$0.1308 per Ccf is to be applied to the quantity rates beginning on the effective date of Advice Letter 447 and ending on August 20, 2015 to amortize the undercollection in the California Alternative Rates for Water (CARW) Memorandum Account.
4. A surcharge of \$3.13 per month for a 12-month period beginning on December 3, 2014 is to be applied to amortize the undercollection in the Water Revenue Adjustment Mechanism (WRAM) Balancing Account.

(continued)

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APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-4 Los Angeles County Tariff Area PRIVATE FIRE SERVICE

APPLICABILITY

Applicable to water service furnished to private fire systems and to private fire hydrants.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

	Per Service	
Service Charge:	<u>Per Month</u>	
For each inch of diameter of service connection	\$ 13.95	(I)

SPECIAL CONDITIONS

1. The customer will pay, without refund, the entire cost of the private fire service facilities.
2. The private fire service facilities shall be installed by the utility or under the utility's direction and shall be the sole property and subject to the control of the utility, with the right to alter, repair, replace and the right to remove upon discontinuance of service.
3. The minimum diameter for the private fire service connection will be 4 inches. The maximum diameter shall not be larger than the diameter of the water main to which the private fire service facilities are attached unless said main is circulating, in which case with the approval of the utility the maximum diameter may be larger by not more than 2 inches than the diameter of said circulating main.
4. If a water main of adequate size is not available adjacent to the premises to be served, then a new main from the nearest existing main of adequate size will be installed by the utility at the cost of the customer. Such cost shall not be subject to refund.
5. The private fire service facilities will include a detector check valve or other similar device acceptable to the utility which will indicate the use of water. The facilities may be located within the customer's premises or within public right of way adjacent thereto. Where located within the premises, the utility and its duly authorized agents shall have the right of ingress to and egress from the premises for all purposes related to said facilities. In the event the installation is solely a private fire hydrant facility, the requirement for a detector check valve or other similar device may be waived.

(continued)

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APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-6 Los Angeles County Tariff Area RECYCLED WATER METERED SERVICE

APPLICABILITY

Applicable to all recycled water metered service.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Quantity Rate:

For all water delivered, per 100 cu. ft.	\$ 2.2970	(I)
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Service Charge:	Per Meter
	<u>Per Month</u>

For 5/8 x 3/4-inch meter	\$ 21.11	(I)
For 3/4-inch meter	31.66	
For 1-inch meter	52.75	
For 1-1/2-inch meter	105.52	
For 2-inch meter	168.83	
For 3-inch meter	316.54	
For 4-inch meter	527.56	
For 6-inch meter	1,052.00	
For 8-inch meter	1,680.00	
For 10-inch meter	2,429.00	
For 12-inch meter	3,480.00	
For 14-inch meter	4,640.00	(I)

(continued)

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APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-6 Los Angeles County Tariff Area RECYCLED WATER METERED SERVICE (continued)

RATES (continued)

Per Battery
Per Month

For two 2-inch meters	\$ 336.00	(I)
For three 2-inch meters	507.00	
For four 2-inch meters	676.00	
For two 3-inch meters	634.00	
For three 3-inch meters	950.00	
For two 4-inch meters	1,055.00	
For three 4-inch meters	1,583.00	
For one 8-inch meter, one 2-inch meter	1,855.00	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for reclaimed water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. The Quantity Rate is set at 85% of the Quantity Rate of Schedule No. LA-1.
2. The customer is responsible for compliance with all local, state, and federal rules and regulations that apply to the use of reclaimed water on the customer's premises.
3. The utility will supply only such reclaimed water at such pressure as may be available from time to time from the reclaimed water system. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss or damage resulting from service under this schedule.
4. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
5. A surcredit of \$0.0406 per Ccf is to be applied to the quantity rates for a 12-month period beginning on February 26, 2014 to amortize the overcollection in the Cost of Capital Interim Rate Memorandum Account (CCIRMA). (D)
|
(D)
6. A surcharge of \$0.1308 per Ccf is to be applied to the quantity rates beginning on the effective date of Advice Letter 447 and ending on August 20, 2015 to amortize the undercollection in the California Alternative Rates for Water (CARW) Memorandum Account.

(continued)

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APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-9C Los Angeles County Tariff Area CONSTRUCTION AND TANK TRUCK SERVICE

APPLICABILITY

Applicable to temporary water service furnished for construction purposes and for water delivered to tank trucks from fire hydrants or other outlets.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Unit Rate

For sidewalk construction, per 100 sq. ft.	\$ 0.915	(I)
For street curb construction, per 100 lineal ft.	\$ 1.792	(I)
For trench settling, per lineal foot of section of trench 2 feet by 4 feet	\$ 0.066	
For sprinkling subgrade of street and roadway construction in application of oil or any form of patented oil paving or surfacing, or for rolling and settling subgrade, per 3,000 square feet of roadway	\$ 11.28	(I)
For compaction of fill, per cubic yard of fill material	\$ 0.108	
For water delivered to tank wagon or truck, per 100 gallons	\$ 0.285	(I)
Minimum Charge:		
For any service rendered under this schedule	\$ 47.86	(I)

SPECIAL CONDITIONS

1. An applicant wishing to obtain water deliveries under this schedule must first obtain a written permit from the utility.
2. Where water is to be obtained from public fire hydrants, a permit must be obtained from the fire protection district or other public agency having jurisdiction.
3. For other temporary uses the quantity of water used shall be estimated or metered by the utility. Charges for such water shall be at the quantity rate for General Metered Service applicable to the tariff area within which the water is delivered.
4. An applicant for service under this schedule must pay the utility in advance the net cost of installing and removing any facilities necessary to provide such service.

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APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-9CL Los Angeles County Tariff Area SERVICE TO TRACT HOUSES DURING CONSTRUCTION

APPLICABILITY

Applicable to water service for house construction where houses are being constructed as part of a real estate development.

TERRITORY

Los Angeles County Division, Los Angeles County.

RATES

For each lot for the construction period \$ 16.58 (I)

SPECIAL CONDITIONS

1. This service is available only to real estate developers or builders who make application prior to installation of mains and services and who undertake the construction of houses as part of the development. At its option the utility may provide the service if application is made after mains and services have been installed.
2. Water service under this tariff schedule is only to be used for house construction. It does not include water use for landscaping or other tract improvement work.
3. When each house passes final inspection water service under this schedule will be terminated.
4. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.

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APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-CARW Los Angeles County Tariff Area CALIFORNIA ALTERNATIVE RATES FOR WATER

APPLICABILITY

Applicable to residential domestic service to CARW households with a 1-inch or smaller meter, where the customer meets all the Special Conditions of this rate schedule.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Quantity Rate (General):

For all water used, per 100 cu. ft.	\$ 2.7024	(I)
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Quantity Rate (Conservation):

For the first 13 Ccf used, per 100 cu. ft.	\$ 2.5418	(I)
For all Ccf greater than 13 Ccf per month, per 100 cu. ft.	\$ 2.8987	(I)

Service Charge:

	Per Meter Per Month	
For 5/8 x 3/4-inch meter	\$ 10.55	(I)
For 3/4-inch meter	15.83	
For 1-inch meter	26.38	(I)

SPECIAL CONDITIONS

1. CARW Household: A CARW Household is a household where the total gross income from all sources is less than shown on the table below based on the number of persons in the household. Total gross income shall include income from all sources, both taxable and non-taxable. Persons who are claimed as dependent on another person's income tax return are not eligible for this program.

No. of Persons <u>In Household</u>	Total Gross <u>Annual Income</u>
1	\$31,460
2	\$31,460
3	\$39,580
4	\$47,700
5	\$55,820

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APPENDIX A San Gabriel Valley Water Company

PRELIMINARY STATEMENT

F. California Alternative Rates for Water (CARW) Memorandum Account For Los Angeles County Division

1. Purpose: The purpose of the memorandum account in each division is to track the costs of the program against the estimates reflected in rates, until sufficient experience with the CARW program is attained that such costs can be reliably forecast in a general rate case proceeding.
2. The following entries will be made monthly to the CARW memorandum Account in the Los Angeles County division:
 - a. The recorded reduction in billed Service Charge revenues for service provided under Schedule No. LA-CARW (debit).
 - b. Franchise fees and uncollectible account expense, based on 2a above and the CPUC-adopted rates for franchise fees and uncollectible accounts expense (credit).
 - c. CARW program costs of performing incremental activities which would not have been incurred absent the CARW program and which have not been reflected in authorized rates (debit).
 - d. One-twelfth of the annual CPUC-adopted revenue reduction for the CARW program as reflected in rates (credit).¹ These CPUC-adopted amounts are as follows:

<u>Effective</u>	<u>Annual Amount</u>	
July 2008	\$834,210	
November 2010	\$828,463	
November 2011	\$883,778	
July 2012	\$900,906	
April 2013	\$953,439	
July 2013	\$932,487	
February 2015	\$936,561	(N)

The above amounts will be proportionately adjusted when monthly service charges change.

- e. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release, H.15 (<http://www.federalreserve.gov/releases/H15/data/m/cp3m.txt>), or its successor publication (debit or credit).
3. The memorandum accounts will terminate when so ordered in a CPUC general rate case decision, at which time any remaining debit (undercollection) or credit (overcollection) balance will be amortized through a rate surcharge or surcredit.

¹ CPUC D.05-05-015 describes this item as a "debit" at page 5 of the decision. After further review, the company finds that this item will regularly be a credit, so it is being described as such in this tariff sheet.

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APPENDIX A San Gabriel Valley Water Company

PRELIMINARY STATEMENT

K. Water Revenue Adjustment Mechanism (WRAM) Memorandum Account For Los Angeles County Division

1. Purpose: The purpose of this memorandum account is to track the Quantity Rate revenues collected under Schedule LA-1C tiered rates against the revenues that would have been collected under a single block Quantity Rate.
2. The following entries will be made monthly to the WRAM memorandum Account in the Los Angeles County division:
 - a. The recorded revenues collected through the tiered Quantity Rate under Schedule No. LA-1C (debit).
 - b. The calculated revenues that would have been collected under a single block Quantity Rate for the same water usage as in 2a above (credit).
 - c. The CPUC-adopted Quantity Rates (\$/Ccf) to be used in calculating the revenues for 2a and 2b above are as follows:

<u>Effective Date</u>	<u>Single Block Rate</u>	<u>0-13 Ccf/mo. Tier 1 Rate</u>	<u>Over 13 Ccf/mo. Tier 2 Rate</u>	
July 1, 2012	\$2.5842	\$2.4208	\$2.7839	
April 1, 2013	\$2.5863	\$2.4228	\$2.7862	
July 1, 2013	\$2.5295	\$2.3696	\$2.7250	
July 25, 2013	\$2.6432	\$2.4833	\$2.8387	
January 28, 2015	\$2.6906	\$2.5307	\$2.8861	
February xx, 2015	\$2.7024	\$2.5418	\$2.8987	(N)

- d. Franchise fees and uncollectible account expense, based on the net of 2a and 2b above, and the CPUC-adopted rates for franchise fees and uncollectible expenses.
 - e. Monthly interest calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release, H.15 (<http://www.federalreserve.gov/releases/H15/data/m/cp3m.txt>), or its successor publication.
3. The balance in the memorandum account shall be amortized by a Tier 1 advice letter whenever the balance exceeds 2% of the authorized revenue requirement for the preceding calendar year. If the balance is below 2%, San Gabriel shall propose its amortization in a general rate case.
4. The memorandum account will terminate when so ordered in a CPUC general rate case decision, at which time any remaining debit (undercollection) or credit (overcollection) balance will be amortized through a rate surcharge or surcredit.

END OF APPENDIX A

PROPOSED RESOLUTION

Resolution W-5055
DWA

August 13, 2015

CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-5055 on all parties in these filings or their attorneys as shown on the attached lists.

Dated July 14, 2015 at San Francisco, California.

/s/ JENNIFER PEREZ

Jennifer Perez

Parties should notify the Division of Water and Audits, Fourth Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

PROPOSED RESOLUTION

Resolution W-5055
DWA

August 13, 2015

SAN GABRIEL ADVICE LETTER NO. 456 SERVICE LIST

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